

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
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FM SECSTATE WASHDC
TO AMEMBASSY MEXICO IMMEDIATE

C O N F I D E N T I A L STATE 173810

FOR AMBASSADOR FROM BUNKER

E.O. 11652: GDS

TAGS: PFOR, PN, MX

SUBJECT: BUNKER-LUCEY TELECON 7/25/77

1. FOLLOWING IS BRIEFING MATERIAL FOR YOUR USE IN PRIVATE,
CONFIDENTIAL DISCUSSIONS WITH FONMIN, AS YOU REQUESTED.
WE UNDERSTAND FONMIN HAS REQUESTED THIS TO PREPARE HIM FOR
POSSIBLE MEETING OF SOME LA CHIEFS OF STATE AT PANAMA'S
INITIATIVE.

2. PRESIDENT CARTER HAS MADE THE CONCLUSION OF AN
ACCEPTABLE CANAL TREATY A PRIORITY FOREIGN POLICY OBJECTIVE.
HE HAS EMPHASIZED THAT ANY NEW TREATY MUST PROTECT THE
CONTINUING UNITED STATES SECURITY AND COMMERCIAL INTEREST
IN A CANAL WHICH IS OPEN TO ALL NATIONS ON A NON-
DISCRIMINATORY BASIS AND AT REASONABLE TOLLS.
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3. A STATEMENT OF PRINCIPLES, SIGNED BY SECRETARY
KISSINGER AND PANAMANIAN FOREIGN MINISTER TACK FEBRUARY
7, 1974 AND REAFFIRMED BY BOTH PARTIES JANUARY 31, 1977,
ESTABLISHED THE OBJECTIVES OF THE NEGOTIATIONS (SEE BELOW).

4. FORMAL TREATY DRAFTING WILL COMMENCE WHEN ALL OUT-

STANDING ISSUES HAVE BEEN RESOLVED IN PRINCIPLE. UNDER

TENTATIVE ARRANGEMENTS CONCLUDED THUS FAR, A NEW TREATY WOULD INCLUDE THE FOLLOWING MAJOR PROVISIONS:

-- THE UNITED STATES WOULD BE RESPONSIBLE FOR THE OPERATION AND DEFENSE OF THE CANAL UNTIL THE YEAR 2000, WHEN PANAMA WOULD ASSUME THIS RESPONSIBILITY. MUCH OF THE CURRENT SYSTEM OF US MILITARY BASES WOULD BE CONTINUED FOR THE LIFE OF THE TREATY.

-- PANAMA WOULD HAVE A MINORITY VOICE IN THE CANAL'S DIRECTION, BUT DURING THE TREATY PERIOD PANAMANIAN EMPLOYEES WOULD BE TRAINED TO ASSUME INCREASING RESPONSIBILITY FOR CANAL OPERATIONS.

-- JURISDICTION IN THE CANAL ZONE WOULD PASS OVER A 3 YEAR PERIOD TO PANAMA. PANAMA WOULD GAIN THE USE OF MUCH OF THE PRESENT CANAL ZONE, WHICH TOGETHER WITH THE CANAL ZONE GOVERNMENT WOULD CEASE TO EXIST UPON THE TREATY'S ENTRY INTO FORCE. THE EXACT LANDS AND WATERS WHICH WILL REVERT TO PANAMA IS AN UNRESOLVED ISSUE.

-- IN A SEPARATE TREATY, PANAMA WOULD DECLARE THE CANAL'S PERMANENT NEUTRALITY. BOTH THE UNITED STATES AND PANAMA WOULD UNDERTAKE TO MAINTAIN AN AGREED REGIME
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OF NEUTRALITY TO ASSURE THAT THE CANAL REMAINS PERMANENTLY OPEN TO SHIPPING OF ALL COUNTRIES ON A NON-DISCRIMINATORY BASIS.

-- PANAMA WOULD RECEIVE CONSIDERABLY MORE IN BENEFITS THAN THE \$2.3 MILLION WHICH THE UNITED STATES NOW PAYS ANNUALLY. THE LEVEL AND FORM OF THESE ECONOMIC BENEFITS IS THE MAJOR OUTSTANDING ISSUE IN THE NEGOTIATIONS AT THIS JUNCTURE.

5. INTENSIVE NEGOTIATIONS HAVE BEEN CONDUCTED WITH PANAMA IN WASHINGTON SINCE MAY 9. THE NEGOTIATIONS ARE NOW IN A BRIEF RECESS TO ALLOW THE NEGOTIATORS FROM BOTH SIDES TO CONSULT WITHIN THEIR RESPECTIVE GOVERNMENTS.

6. THE ECONOMIC ARRANGEMENTS FOR THE TREATY HAVE BEEN THE MAJOR SUBJECT OF DISCUSSION IN RECENT WEEKS. PANAMA ORIGINALLY DEMANDED A LUMP SUM PAYMENT OF \$1.02 BILLION AND AN ANNUITY OF \$300 MILLION. IT HAS SUBSEQUENTLY REDUCED ITS DEMAND TO (A) \$460 MILLION AND (B) A \$150 MILLION ANNUITY. A MEETING JULY 22 OF THE POLICY REVIEW

COMMITTEE STUDIED POSSIBLE COMPONENTS OF THE ECONOMIC
OFFER WHICH COULD BE MADE TO PANAMA. A PROPOSAL IS NOW

BEING PREPARED FOR THE CONSIDERATION OF THE PRESIDENT.

7. WE BELIEVE THAT THE OFFERS WHICH WE HAVE MADE TO
PANAMA SO FAR ARE REASONABLE, AND THAT THE ECONOMIC
ARRANGEMENTS WHICH WE WILL EVENTUALLY TABLE WILL BE
ATTRACTIVE. SIMILARLY, ON THE LANDS AND WATERS ISSUE, WE
HAVE MADE PANAMA A GENEROUS OFFER WELL BEYOND OUR INITIAL
POSITION. IT PROVIDES PANAMA WITH THE USE OF MUCH OF THE
PRESENT CANAL ZONE AND WILL ASSURE THE AVAILABILITY OF
AREAS CRUCIAL TO THE DEVELOPMENT OF PANAMA'S URBAN CENTERS
(PANAMA CITY AND COLON).
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8. YOU MIGHT WANT TO CALL ON RICHARD HOWARD, FORMERLY A
TREATY AFFAIRS ADVISOR IN THE OFFICE OF PANAMANIAN
AFFAIRS AND NOW A POLITICAL OFFICER AT THE EMBASSY, TO
PROVIDE ADDITIONAL BACKGROUND MATERIAL. HE IS NOT
FAMILIAR WITH RECENT DEVELOPMENTS BUT HAS A GOOD UNDER-
STANDING OF OUR OBJECTIVES AND THE PROBLEMS WE FACE. I
WOULD APPRECIATE IT IF YOU COULD KEEP US INFORMED OF
MEXICAN ATTITUDES ON THIS ISSUE. VANCE

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